

# IABA Audit and Risk Committee Terms of Reference (TOR)

## **Purpose**

The Board has established an Audit and Risk Committee (ARC) as a Committee of the Board to support it in fulfilling their responsibilities in relation to good governance, financial reporting and risk management. The Committee shall oversee the financial reporting process to ensure the balance, transparency and integrity of financial information.

## **Membership**

- ❑ The Committee will consist of a maximum of 3 members which may, in addition to Board members, include external members to provide specialist skills, knowledge and experience. All appointments to the Committee are ratified by the Board. The quorum for a meeting of the committee shall be greater than half of the number of members of the Committee.
- ❑ The Chairperson of the Committee shall be nominated / selected, and this appointment will be formally ratified by the Board.
- ❑ At least one member of the Audit and Risk Committee should have recent, relevant financial experience and other members should have experience in risk management, internal audit, governance, legal and the core areas of the entities business.
- ❑ The Board may co-opt further external members to the Committee to fill skills and expertise gaps.
- ❑ Each Committee member will be appointed for a term of 2 years.
- ❑ Final determination on the number of members on the Committee is a decision for the Board.

## **Key responsibilities of the Sub-committee:**

This sub-committee deals with the annual external audit of the financial statement and any other external audits and reports to the Board. In particular:

### External Audit of the Annual Financial Statements

- ❑ Review the annual audited accounts including the Directors' Report, etc. for accuracy of financial data for presentation to the full Board.
- ❑ Meet the external auditor, at least annually in line with the audited accounts, without the Executive present.
- ❑ Discuss the management letter from the external auditor (following the annual audit) and agree the reply for recommendation to the Board for approval.
- ❑ Monitor implementation of improvements agreed in response to external audit recommendations.

- Assess continuing suitability of the appointed external auditor and recommend to the Board the appointment/reappointment of the auditor. Where relevant or appropriate the Audit subcommittee is responsible for proposing to the Board any change in external auditor with a supporting rationale.
- Recommend to the Board the level of remuneration for the external auditor for approval by the Board.

#### Other External Financial Audits

- Discusses reports from other external auditors (normally funders) and agrees the reply for recommendation to the Board for approval.
- Monitors implementation of improvements agreed in response to external audit recommendations.
- Provide an independent and objective review of the process relating to IABA's management of financial risk, prevention of corruption and waste and the system of internal controls.

#### Risk

- Review financial risk as relevant to the audited annual accounts.
- Identify areas of risk related to any area of the organisation to the Quality and Safety subcommittee for consideration within the risk management process of the organisation and request reports and updates on same.
- Review risk management which includes:
  - ◆ a copy of the strategic/corporate risk register;
  - ◆ a summary of any significant changes to the strategic risks and how these risks are being addressed:

#### **Frequency of Meetings & Quorum**

The Sub-committee shall meet not less than two times per year or more frequently if the business requiring its attention should so dictate. A quorum at each meeting shall be two members.

#### **Reporting to the board**

The Sub-committee will present verbal and/or written reports to the Board. The subcommittee meetings will be minuted and these minutes will be circulated to the Board. The work of the committee should be fully and accurately reflected on the Board's agenda and minutes.

### **Conflict of Interest**

The process for recording declarations of conflicts of interest of the Committee members will be the same used at Board level. Each member of the Committee will take personal responsibility to declare any potential conflict of interest arising in relation to any items on the agenda for Committee meetings. The Committee will specify its procedures where a conflict of interest arises in the context of a particular agenda item, including a requirement that the relevant member brings the potential conflict of interest to the attention of the Chairperson and, where necessary, leaves the room for the duration of the discussion of the item and does not take part in any decisions relating to the item. Similar arrangements should apply in relation to meeting documentation, with documentation relating to the item not being made available to the member. This should be noted in the minutes of the meeting.

### **Confidentiality**

The agenda, papers, reports and documentation provided in the context of the work of the Committee are confidential and will contain sensitive material and information necessary to allow members to carry out their duties. Members and those in attendance, shall not, without the approval of the Chair, discuss with or disclose, directly or indirectly, information to third parties.

### **Review**

The Sub-committee shall conduct an annual self-review of its performance including a review of the terms of reference.